

# Regulatory Procedure

## REGISTRATION / LICENSING AND OTHER REQUIREMENTS FOR INSURANCE SURVEYOR COMPANIES



**Small and Medium Enterprises Development Authority**

**Ministry of Industries & Production**

**Government of Pakistan**

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## INTRODUCTION OF SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established with the objective to provide fresh impetus to the economy through the launch of an aggressive SME development strategy. Since its inception in October 1998, SMEDA had adopted a sectoral SME development approach. A few priority sectors were selected on the criterion of SME presence. In depth research was conducted and comprehensive development plans were formulated after identification of impediments and retardants. The all-encompassing sectoral development strategy involved overhauling of the regulatory environment by taking into consideration other important aspects including finance, marketing, technology and human resource development.

After successfully qualifying in the first phase of sector development SMEDA reorganized its operations in January 2001 with the task of SME development at a broader scale and enhanced outreach in terms of SMEDA's areas of operation. Currently, SMEDA along with sectoral focus offers a range of services to SMEs including over the counter support systems, exclusive business development facilities, training and development and information dissemination through a wide range of publications. SMEDA's activities can now be classified into the three following broad areas:

1. Creating a Conducive Environment; includes collaboration with policy makers to devise facilitating mechanisms for SMEs by removing regulatory impediments across numerous policy areas.
2. Cluster/Sector Development; comprises formulation and implementation of projects for SME clusters/sectors in collaboration with industry/trade associations and chambers.
3. Enhancing Access to Business Development Services; development and provision of services to meet the business management, strategic and operational requirements of SMEs.

SMEDA has so far successfully formulated strategies for sectors, including fruits and vegetables, marble and granite, gems and jewellery, marine fisheries, leather and footwear, textiles, surgical instruments, transport and dairy. Whereas the task of SME development at a broader scale still requires more coverage and enhanced outreach in terms of SMEDA's areas of operation.

Along with the sectoral focus a broad spectrum of services are now being offered to the SMEs by SMEDA, which are driven by factors like enhanced interaction amongst the stakeholders, need based sectoral research, over the counter support

systems, exclusive business development facilities, training and development for SMEs and information dissemination through a wide range of publications.

## **ROLE OF SMEDA LEGAL SERVICES CELL**

The Legal Services Cell (LSC) is a part of the Business Development Division at SMEDA and plays a key role in providing an overall facilitation and support to SMEs. The LSC provides guidance based on field realities pertaining to SMEs in Pakistan and other parts of the world.

LSC believes that information dissemination among the SMEs on the existing regulatory environment is of paramount importance and it can play a pivotal role in their sustainable development.

In order to facilitate SMEs at the micro level, the LSC has developed user-friendly systems, which provide them with a detailed description of laws and regulations including the processes and steps required for compliance.

The purpose of this document is to provide SMEs with information pertaining to licensing and other legal requirements for insurance surveyor companies. Entrepreneurs interested in enhancing their understanding about the procedures and rights can also use the document. For the convenience of the reader, samples of various forms, instructions on how to fill up the forms and important addresses are also included.

## **DISCLAIMER**

Information in this document is provided only for general information purposes and on an "as is" basis without any warranties of any kind. The use of this information is at the user's sole risk. SMEDA assumes no responsibility for the accuracy or completeness of this information and shall not be liable for any damages arising from its use.

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## Overview

- 1) Securities and Exchange Commission of Pakistan (hereinafter referred to as the “Commission”) established under the Securities and Exchange Ordinance, 1969 (XVII of 1969) is the apex licensing and monitoring body for Insurance Surveyor Companies.
- 2) The Insurance Ordinance, 2000 (hereinafter referred to as the “Ordinance”) and the Insurance Rules, 2002 (hereinafter referred to as the “Rules”) are the relevant law and rules which deal with the registration, licensing and other requirements which have to be followed by Insurance Surveyor Companies.
- 3) Before going further it would be better to describe what exactly an Insurance Surveyor means. As per Section 2 ((lxiii) of the Ordinance “surveyor” means a person (by whatever name called) who examines the goods, property or any interests insured under a contract of non-life insurance to express an independent opinion as to the cause, extent, location and amount of any loss incurred or claimed to be incurred under that contract.

## Licensing Requirements

- 4) As per section 111 of the Ordinance, it shall be unlawful for any person to act for remuneration as an insurance surveyor, loss adjuster, or loss assessor (by whatever title called) unless such person is a person licensed as a surveyor under the Ordinance.
- 5) As per section 112 sub section (3) of the Ordinance, no person shall be entitled to apply for or to hold a license as a surveyor unless the person is a company with a prescribed minimum share capital i.e. for up to two classes of insurance surveyors one million rupees; and for more than two classes of insurance surveyors two million rupees.
- 6) From the perusal of the above paragraphs, it is revealed that in the first instance an Insurance Surveyor should get a company registered with the Securities & Exchange Commission of Pakistan as a limited company under the Companies Ordinance, 1984 and thereafter it should apply for a license with the Commission.

## Eligibility for License

- 7) As per the Ordinance and Rules, an Insurance Surveyor desiring to get a license for the same should fulfill the following criteria, at the date of the application and at all times during which the license is held:
- i. As stated in Para 5 & 6 above, in the first instance an Insurance Surveyor should be registered with the Securities & Exchange Commission of Pakistan as a limited company under the Companies Ordinance, 1984, with a prescribed minimum share capital for up to two classes of insurance surveyors one million rupees; and for more than two classes of insurance surveyors two million rupees. For information about limited company registration procedure with SECP please refer to our document titled “Company Registration Procedure” already uploaded at SMEDA website.
  - ii. The applicant company should carry a professional indemnity insurance for a license of up to two classes of insurance surveyors of one million rupees and for a license of more than two classes of insurance surveyors of two million rupees
  - iii. Reports issued in respect of surveys conducted by the person are signed by natural persons, registered under section 113 of the Ordinance as authorized surveying officers.
  - iv. Reports issued in respect of surveys conducted by the person contain such information and comply with such conditions as may be prescribed
  - v. The applicant is a member of the Surveyors and Adjusters’ Association of Pakistan
  - vi. The Managing Director / CEO shall be registered to act as an authorized surveying officer for at least one of the classes of insurance surveyors in which a body corporate acts or proposes to act; and for the remaining class or classes of insurance surveyors, in which a body corporate acts or proposes to act, there shall be at least one officer or director who is registered in his own capacity to act as an authorized surveying officer
  - vii. Neither the body corporate in respect of such of the following conditions that apply to the body corporate, nor any director of the body corporate in respect of such of the following conditions as apply to a natural person shall—

- a) be a minor;
- b) have been found of unsound mind by a Court of competent jurisdiction;
- c) have been found guilty, within the five years preceding the present date, of criminal misappropriation or criminal breach of trust, cheating or forgery or an abetment of or attempt to commit any such offence by a Court of competent jurisdiction;
- d) have served any custodial sentence imposed by a Court of competent jurisdiction, ending within five years preceding the present date;
- e) have been found guilty by a Court of competent jurisdiction of any offence involving insurance; or
- f) have been otherwise declared as disqualified by the Insurance Tribunal, other than for a term which had expired prior to the present date.

## Licensing Procedure

8) A company, fulfilling the conditions stated above, may make an application for registration to the Commission. Application for grant of a license for any class of insurance surveyors shall be accompanied by a fee of ten thousand rupees per class of insurance surveyor, which shall be refunded if the license is not granted. This application shall contain the following details in respect of the applicant, namely:—

- i. the name of the body corporate;
- ii. the address of its registered office;
- iii. its postal address (if different);
- iv. a description of the business carried on by it (other than insurance surveying);
- v. the names of shareholders holding more than ten per cent of its issued share capital;
- vi. the names of all officers or directors (including the Managing Director/CEO) who must hold certificate of registration to act as an authorized surveying officer for at least one of the classes of insurance surveying;
- vii. the names of other persons employed by the body corporate for the purpose of carrying out the business of an insurance surveyor;
- viii. the class of surveyors for which license is sought; and

ix. Details of prescribed qualifications as stated in Para 7 above.

9) Application for grant of license should be accompanied with the following documents:

- i. Fee Payment Challan
- ii. Certified true copy of certificate of incorporation duly certified by the Company Registration Office.
- iii. Certified true copy of Memorandum and Articles of Association duly certified by the Company Registration Office.
- iv. Statement showing the breakup of the paid up capital of the company duly verified by the Chartered Accountants within the meaning of the Chartered Accountants Ordinance, 1961.
- v. Professional indemnity Insurance (in original) for any one event as laid down under Rule 17 of the Rules for further period of one year.
- vi. A statement showing the numbers of persons working in the company along with their complete names, addresses and other particulars.
- vii. Evidence, in original or certified copy form, of compliance with the prescribed qualifications / requirements as stated in Para 7 above.

10) In addition to the documents listed above, every application shall also be accompanied by a declaration by the applicant, made in writing on stamp paper, signed by at least two directors, attested by the Notary Public, stating that—

- i. The information presented is complete and correct;
- ii. The applicant has complied with the requirements of the Ordinance and Rules concerning the required qualifications of an authorized surveying officer;
- iii. The applicant (including MD/CEO, any of its officers or directors) is not appointed as an insurance agent of an insurance company or takaful operator, or licensed to act as an insurance broker or engaged in any capacity for development, introduction or promotion of insurance or takaful business
- iv. The applicant undertakes to comply and in the case of an existing insurance surveyors declares that he has during the previous twelve months complied with the Ordinance and Rules concerning the conduct of insurance surveyors;
- v. Any director of the body corporate, or officer of the body corporate engaging in the business of insurance surveying, is not disqualified from acting as an insurance surveyor by virtue of:-
  - (a) Being a minor;

- (b) Having been found of unsound mind by a Court of competent jurisdiction;
- (c) Having been found guilty, within five years preceding the date, of the declaration, of criminal misappropriation or criminal breach of trust, cheating or forgery or an abetment of or attempt to commit any such offence by a Court of competent jurisdiction;
- (d) Having served any custodial sentence imposed by a Court of competent jurisdiction, ending within five years preceding the date of declaration;
- (e) Having been found guilty by a Court of competent jurisdiction of any offence involving insurance; or having been otherwise declared as disqualified by the Insurance Tribunal, other than for a term which had expired prior to the date of the declaration

11) The Commission may grant a license, having a term of not more than twelve months, to act as a surveyor, where the Commission is satisfied that applicant is qualified to be granted such a license.

## Renewal of License

12) The license of an Insurance Surveyor Company shall be valid for one year and shall be renewable for a term of not more than twelve months, through an application made on this behalf, on payment of a fee of seven thousand rupees which shall be refunded if the renewal of the license is not granted.

13) The application for renewal shall be accompanied with the declaration as stated in Para 10 above and contain the following details in respect of the applicant, namely:—

- i. its name;
- ii. the address of its registered office;
- iii. its postal address (if different);
- iv. a description of the business carried on by it (other than insurance surveying);
- v. the names of shareholders holding more than ten per cent of the issued share capital;
- vi. the names of all officers or directors of the body corporate who are individually licensed as an insurance surveyor;
- vii. the names of other persons employed by the body corporate for the purpose of carrying out the business of an insurance surveyor; and
- viii. the class of surveyors for which renewal of license is sought.

## Cancellation / Suspension of License

14) A company licensed as a surveyor who becomes aware that it has ceased, or is about to cease, to comply with any condition of that license shall, within one week of becoming aware of such non-compliance, notify the Commission of the circumstances surrounding such non-compliance, and his license shall stand suspended as at the date falling one week after the date on which he became aware, or should reasonably have become aware, of the non-compliance. Such suspension of a license shall continue until the Commission is satisfied that the company has taken such action as the Commission believes on reasonable grounds to be necessary to remove the causes of the non-compliance, or until the term of the license expires, whichever is earlier.

15) If the Commission believes on reasonable grounds that a licensed surveyor company has failed to comply, or has ceased to comply, with a condition of its license, the Commission may by notice to the licensed surveyor company of not less than two weeks cancel that license. Provided that a license shall not be cancelled without giving the holder of the license an opportunity to be heard.

16) A person, who purports to act as a licensed surveyor during the period during which his license is suspended, or following cancellation of his license, shall be guilty of an offence and liable on conviction to a fine not exceeding one million rupees.

## Important Addresses

1. Securities and Exchange Commission of Pakistan  
National Insurance Corporation Building,  
Jinnah Avenue,  
Islamabad-44000,  
PAKISTAN  
Telephone : +92-51-111-117-327  
Fax : +92-51-9204915  
<http://secp.gov.pk>
  
2. Surveyors and Adjusters Association of Pakistan  
OFFICE OF THE PRESIDENT  
CARE OF IQBAL A. NANJEE & CO  
301-COMMERCE CENTRE,  
HASRAT MOHANI ROAD, KARACHI, PAKISTAN  
PHONE: 32210986-88, 32631585  
FAX: 32637052  
<http://saapk.com>

ANNEXURE "B"

CLASSES OF INSURANCE SURVEYORS

- (a) Fire and property damage business.
- (b) Marine, aviation and transport business.
- (c) Motor third-party compulsory business.
- (d) Liability business.
- (e) Workers compensation business.
- (f) Credit and surety ship business.
- (g) Accident and health business.
- (h) Agriculture insurance including crop insurance.
- (i) Miscellaneous business.

(A license granted by the Commission under section 112 of the Ordinance shall specify the class of insurance surveyors for which the license is granted.)